

MEMORANDUM

TO: BRA STAFF
FROM: PETER DREIER, ASSISTANT DIRECTOR FOR HOUSING
DATE: MAY 13, 1986
SUBJECT: HOUSING GOALS AND GUIDELINES

Many Authority staff have recently inquired about the agency's housing goals and guidelines. This memorandum is intended to answer some of these questions.

Boston is facing a severe housing crisis. The attached brief report notes some of the indicators of this crisis. In response, the Flynn Administration has committed itself to dramatically increase the rate of new housing starts, seeking a goal of 3,400 units in 1986. In the first four months of 1986, the Administration had reached 41 percent of this goal -- a significant achievement. The BRA played a key role in this effort and all staffpersons involved can be proud of their contribution.

In addition to expanding the overall housing supply, the Flynn Administration and the BRA are committed to expanding the supply of affordable housing. Simply expanding the overall supply will not, on its own, benefit those low- and moderate-income Boston residents who are affected most by the housing crisis. Special efforts must therefore be made to maximize the number of housing units affordable to these households. One approach is to protect the existing stock of affordable housing -- private rental housing; subsidized private rental housing; public housing; and owner-occupied housing -- which the Administration and BRA are doing in several ways. Another approach (the focus of most of our housing efforts) is to maximize the amount of affordable housing as part of our new construction and rehabilitation efforts.

The definition of "affordable" housing is based on long-established federal guidelines. Specifically, "low-income" housing is affordable to families earning up to 50% of the Boston SMSA median income (currently \$17,000 for a family of four), paying no more than 30% of household income for housing; this includes rent and utilities (for rental housing), and principle, interest, property taxes, insurance and condo fees (for equity housing). "Moderate-income" housing is affordable to families earning up to 80% of the Boston SMSA median income (currently \$27,200 for a family of four), paying no more than 30% of household income for housing. A slightly broader definition is used by the Massachusetts Housing Finance Agency (MHFA) for their first-time homebuyer program. The attached tables provide specific information regarding these definitions.

As you know, the Authority has two mechanisms for reviewing housing proposals. First, the BRA disposes of its own land (and some buildings) for the development of housing. Second, the BRA reviews proposals for housing that seek some form of zoning relief. In both cases, it is the policy of the Flynn

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Administration and the BRA to maximize the amount of affordable housing, recognizing the importance of reviewing each project's financial feasibility, design, traffic-and-parking impact, and related concerns. The coordination of these review efforts has improved significantly in recent months, with staff from the various departments working together to review projects and reach consensus on the various factors that contribute to a good housing development. Staff responsible for financial analysis of housing developments are: Barbara Fields, Charleen Regan, Kent Gonzales, Ron Fong, and Anne Wilson as well as Bill Whitney and Bill Whitman.

In the absence of federal housing assistance programs, there are several mechanisms for achieving our affordability goals. On BRA-owned parcels, we are seeking a minimum of 35 percent "affordable" housing; on privately-owned parcels, we are seeking a minimum of 10 percent "affordable" housing. In reviewing the financial feasibility of each development, staff can determine whether (and how) we can exceed these minimum standards. The mechanisms for achieving affordability goals include the following:

- * internal skewing of rents/sales prices by the developer;
- * below-market financing through the Massachusetts Housing Partnership; to be eligible for MHP program, at least 25% of a project must be "affordable." All requests to MHP are channeled through the City/BRA;
- * below-market financing for rental projects through MHFA's SHARP program; this requires 25% of units to be "affordable;" the state includes rent subsidies for the low/moderate-income units;
- * purchase of condominium/townhouse units by the Boston Housing Authority through the state 705 program. These units are then rented to eligible public housing tenants as part of the BHA's new program to encourage mixed-income developments. Similarly, the state's 689 program, for handicapped residents, can build or purchase units.
- * use of "linkage" funds to fill gaps to make a project feasible for low- and moderate-income residents;
- * on BRA property, write-down of acquisition price;
- * on BRA property, payment of some infrastructure costs.

Each approach may be appropriate for different housing developments. In addition, there are limited federal programs (UDAG, 202 elderly) that may be appropriate for particular projects.

In our housing efforts, we are encouraging a diversity of housing options. These include condominiums and fee-simple homeownership; co-operative; and rental housing. We are also seeking to protect and expand the number of congregate housing/lodging houses, particularly for the elderly.

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To guarantee the long-term affordability of affordable equity units, the Authority will require "deed restrictions" that limit the resale price of units. These restrictions will apply to housing developments on both public and private land.

Please feel free to contact me (ext. 346/347) if you have any questions regarding the issues raised in this memo.

THE SHORTAGE OF AFFORDABLE HOUSING IN BOSTON

Boston suffers from a severe shortage of affordable housing. In this tight housing market, it is extremely difficult for low-income and moderate-income persons to find decent housing. Many households are forced to live in unsafe, unsanitary, or overcrowded housing, or forced to pay more than they can reasonably afford for their shelter needs.

During the past five years, Boston has experienced a population increase from 562,000 in 1980 to 621,000 in 1985, thus reversing a three-decade population decline. This population growth, triggered by economic expansion and new jobs, which is expected to continue throughout the 1980s, puts strong pressure on the city's housing market, fueling increases in rents and sales prices. The continued withdrawal of the federal government from its traditional commitment to provide affordable housing contributes to this problem.

Because Boston is primarily a city of renters, its residents are particularly susceptible to fluctuations in the real estate market. Renters comprise approximately 70 percent of Boston's households. The intense housing market pressures are reflected in skyrocketing rents. A recent study by the Boston Housing Authority found that advertised rents in Boston increased between 18 and 31 percent annually (depending on bedroom size) between 1982 and 1985. Two-bedroom apartments, for example, increased from an average \$515/month to \$863/month, a 68% increase. As a result of such dramatic rent increases, renters are forced to pay an increasing portion of their income simply to keep a roof over their heads. In 1985, 51 percent of Boston's renters paid rent in excess of 25 percent of their income. The percentage of all renters paying rent in excess of one-half of their income jumped from 12 percent in 1980 to 21 percent in 1985, according to a Boston Redevelopment Authority household survey.

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The shortage of affordable housing is reflected in the almost invisible vacancy rate for private rental housing. The growing waiting list for public housing reflects the desperation of Boston residents for basic shelter. The Boston Housing Authority's waiting list has almost doubled, from 6,783 low-income households in November 1982 to 11,485 in October, 1985. Similarly, the long list of people seeking increasingly scarce federal rent subsidies reveals the severity of the housing shortage. For example, in just three days, between July 29 and July 31, 1985, nearly 7,000 people completed applications for the less than 400 rental certificates offered by the BHA. Equally frustrating is the fact that even among those fortunate enough to receive BHA-administered rent certificates, only half were able to locate apartments. Indeed, the success rate of certificate-holders in finding apartments has been declining, as they compete in an increasingly tight and expensive housing market. Much of the reason for this low success rate is that the "fair market rents" established by the federal Department of Housing and Urban Development (HUD) are too low to be competitive in Boston's rental housing market.

The most visible symbols, and victims, of Boston's housing shortage are the growing number of homeless people unable to find permanent shelter. It is extremely difficult to accurately determine the number of homeless people in Boston. A variety of reports place the number at anywhere from 2,000 to 5,000. Although the number of emergency shelter beds has more than doubled in the past 2½ years, the problems of the homeless, particularly for affordable, permanent housing, continue to confront the city.

During the past decade, Boston has lost much affordable housing, as low-income apartments, and lodging houses, are converted to higher-priced condominiums. This contributes to the problems of the poor in finding decent, affordable housing.

The pressure on the city's rental housing stock is further fueled by the skyrocketing costs of homeownership. Middle-income residents, shut out of the homeownership market, drive up rental prices by competing with low and moderate-income residents for scarce rental housing. Boston has experienced an intense inflation of home prices. One-, two-, and three-family home prices increased by 34 percent a year between 1982 and 1984. This contrasted with a four percent annual increase during 1955-75, an eight percent annual increase 1975-79, and a 20 percent annual increase 1979-84. During the past year, home prices have continued to escalate. In fact, a March 1986 report by the National Association of Realtors revealed that the Boston area experienced the greatest inflation of home prices of any region in the nation. In 1985, the NAR found, the average single-family home price in the Boston area reached \$144,800, a jump of 38 percent in one year.

It should also be acknowledged that part of the pressure on Boston's housing market is the result of the failure of suburban municipalities to provide their fair share of affordable housing. Suburban communities in many cases have discouraged assisted and multi-family housing through restrictive zoning and regulatory practices. For example, Boston, with 20 percent of the metropolitan population, has 42 percent of the region's poverty and 40 percent of its subsidized housing.

The Flynn and Dukakis Administrations are working hard to expand the supply of housing - in fact, 1986 will witness more housing starts than any year in the decade - but need continues to outpace supply. The shortage of available land for housing development is a major concern. This shortage drives up land prices which, in turn, makes it more difficult to build affordable housing. The withdrawal of the federal government from housing assistance exacerbates the problems of the poor, since the provision of low-income housing is extremely difficult without substantial subsidy.

APPENDIX 3

AFFORDABILITY STANDARDS

The following schedules will be used as guides for determining the low- and moderate-income housing generated by development plans. Please refer to the project guidelines where appropriate to determine the number of affordable units and the range of eligibility your development plans must include for approval.

The City of Boston calculates affordable rents and purchase prices as those affordable to a "low" or "moderate" income household paying no more than 30% of their adjusted gross income to rent or mortgage (inclusive of principal, interest, taxes, insurance and condominium fees). Federal regulations for the Department of Housing and Urban Development define these income categories as follows:

"Low-income" = less than 50% of the Boston SMSA median family income

"Moderate-income" = 50-80% of the Boston SMSA* median family income

* Please note that public agencies use 50% and 80% of the SMSA (Standard Metropolitan Statistical Area) median income as guidelines because the median income of Boston residents is substantially lower than that in the SMSA. The median income for Boston families in 1980 was only \$16,062 compared to the SMSA median of \$22,813 according to the U.S. Census. (The SMSA includes many higher income communities from the Greater Boston Area.) Income eligibility limits vary by family size. Attached is a page that lists the income limits for the City of Boston by category and the maximum monthly housing expense acceptable under these guidelines.

In general, units built to meet the Boston Redevelopment Authority's affordability requirements must be two and three bedroom units unless the City of Boston specifically sets a different standard in a planning document (e.g., Request for Proposals, etc.) or in circumstances where developers can demonstrate a specific neighborhood need for a different unit mix.

The following guide converts the number of persons per household into an appropriate units size, i.e., number of bedrooms:

<u>Number of Persons</u>	<u>Number of Bedrooms</u>
1	0 (studio)
1-2	1
2-4	2
3-6	3
5-8	4
7-10	5

(Boston Housing Authority's Section 8 Certificate Unit Size Standards were used for this conversion.)

AFFORDABLE HOUSING - DEFINITIONS AND GUIDELINES

<u>Family Size</u>	<u>Low Income (Up to 50% of Median)</u>	<u>Maximum Monthly Housing Expense+</u>	
1	\$11,900	\$ 298 @ 30% GMI	\$248 @ 25% GMI
2	13,600	340	283
3	15,300	383	319
4	17,000	425	354
5	18,350	459	382
6	19,700	493	410
7	21,100	528	440
8	22,450	561	468

<u>Family Size</u>	<u>Moderate Income (Up to 80% of Median)</u>	<u>Maximum Monthly Housing Expense+</u>
1	\$19,050	\$476 @ 30% GMI
2	21,750	544
3	24,500	613
4	27,200	680
5	28,900	723
6	30,600	765
7	32,300	808
8	34,000	850

<u>Family Size</u>	<u>Median Income (100% Median)</u>	<u>Maximum Monthly Housing Expense+</u>
1	\$23,800	\$ 595 @ 30% GMI
2	27,200	680
3	30,600	765
4	34,000	850
5	36,700	918
6	39,400	985
7	42,200	1,055
8	44,900	1,123

<u>Family Size</u>	<u>MHFA Income Limits (Approx. 120% of Median)</u>	<u>Maximum Monthly Housing Expense+</u>
1	\$28,000	\$ 723 @ 31% GMI
2	31,000	801
3	34,000	878
4	37,000	956
5	40,000	1,033
6	43,000	1,111
7	46,000	1,188
8	49,000	1,266

+ GMI = Gross Monthly Income

* Maximum housing cost as x% of monthly income, in calculating possible purchase prices, this amount must include principal, interest, taxes and insurance and any relevant condominium fees.

Note also, that various financing subsidies use different guidelines for the allowable percent of monthly income. Adjust your calculations accordingly. (For example, MFHA allows 31% of gross monthly income for housing expense while some City of Boston Depts. lower the allowable housing expense for Low Income households from 30% to 25%, etc.).

